



**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
TEACHER SCHOLARSHIP, LOAN, AND TUITION
REIMBURSEMENT PROGRAMS**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-46
June 14, 2002
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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2002

The following problems were discovered as a result of an audit conducted by our office of the Department of Elementary and Secondary Education, Teacher Scholarship, Loan, and Tuition Reimbursement Programs.

The Department of Elementary and Secondary Education (DESE) administers the Missouri Teacher Education Scholarship (MTES) and the Missouri Minority Teacher Education Scholarship (MMTES) programs. These scholarship programs are intended to attract qualified applicants into the teaching profession. Under both scholarship programs, the recipient is required to receive a degree in education from an approved teacher education program in a four-year college or university, and teach in an elementary or secondary public school in Missouri for five years after receiving their degree. If the recipient fails to fulfill these requirements, the scholarship amount is treated as a loan and must be repaid to the state. The scholarship amounts provided by the DESE are also matched, wholly or partially, by funds from the applicable college or university.

Our audit noted the DESE has spent approximately \$3.8 million since the MTES and the MMTES scholarship programs were established. However, the department has never determined or evaluated whether these programs have effectively increased the number of teachers in the state's public schools. In fact, the DESE's database for tracking individual accounts was in such disarray, much of the data had to be recreated and summarized before we could perform any analysis of this data. Our analysis indicated nearly 40 percent of MTES and almost half of the MMTES scholarship applicants for fiscal year 1996 did not complete the requirements of the programs.

Certain statutory provisions and departmental policies are having a negative impact on the success of the DESE's scholarship programs. Laws and policies for the program are currently focused on recruiting applicants early in their college years. In addition, teacher shortage areas designated as critical need are not considered when selecting recipients for the scholarship programs. If the state's laws and DESE's policies were amended to attract students who were serious about teacher education and who desired to teach in a critical need area, public schools would benefit by having a larger supply of teachers to fill their subject area shortage needs. It also appears state law does not adequately empower the DESE to pursue recovery from recipients of the MMTES program who default. Furthermore, the DESE does not collect the full defaulted amount from the recipients who fail to comply with the statutory requirements of the scholarships because the university's match is not collected.

(over)

YELLOW SHEET

The department does not follow some of its policies for the scholarship programs, and lacks formal written policies on monitoring the status of scholarship accounts and maintaining scholarship databases. This has resulted in inconsistencies in the handling of recipient accounts. Due to the inadequate monitoring, lack of segregated duties, and limited supervision regarding the scholarship programs, non-compliance with the scholarship requirements has gone undetected, and recipients who have defaulted are not being held fully accountable.

The department is forced to decline scholarships to approximately half of the qualified applicants due to a lack of available funding. Even though there are many more qualified applicants than there is available funding, the department has not utilized some existing funding due to complications arising from scholarship renewals. There have been virtually no increases in funding for scholarship programs since their implementation, and two loan programs approved by the General Assembly have never been funded. In addition, individual scholarship amounts have never been increased rendering the scholarship programs less attractive to prospective teachers. Monies received from recipients who have not fulfilled program requirements are not placed back into the scholarship programs to be used for future awards. If these funding issues were resolved, the scholarship programs would be available to a greater number of prospective teachers in the state and thereby lessen the impact of the teacher shortages.

Unlike some of the scholarship and loan programs mentioned above, the DESE has not established formal requirements for its tuition reimbursement programs that require participants to complete their education program and to remain employed in Missouri's public schools for a period of time after completion. Although the teachers who participate in the tuition reimbursement programs are expected to complete their teacher education program and to obtain certification in the subject area studied, participants are not required to reimburse the funding if they fail to do so. By failing to establish appropriate requirements for the tuition reimbursement programs, there is no assurance those programs are effectively addressing the statewide areas of critical need.

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
TEACHER SCHOLARSHIP, LOAN, AND TUITION
REIMBURSEMENT PROGRAMS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
D. Kent King, Commissioner
Department of Elementary and Secondary Education
Jefferson City, MO 65102

We have audited the scholarship, loan, and tuition reimbursement programs provided to teachers or prospective teachers by the Department of Elementary and Secondary Education (DESE). The objective of this audit was to review whether DESE adequately administers and measures the effectiveness of these programs.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state laws, regulations, and procedures relating to teacher scholarship, loan, and tuition reimbursement programs. We also interviewed and surveyed applicable personnel, and reviewed certain relevant records, statistics, and other state reports.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Background section is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the department's teacher scholarship, loan, and tuition reimbursement programs.

The accompanying Management Advisory Report presents our findings arising from our audit of the DESE's teacher scholarship, loan, and tuition reimbursement programs.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 10, 2002 (fieldwork completion date)

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EXECUTIVE SUMMARY

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
TEACHER SCHOLARSHIP, LOAN, AND TUITION
REIMBURSEMENT PROGRAMS
EXECUTIVE SUMMARY

Our audit of the state's teacher scholarship, loan, and tuition reimbursement programs noted several areas where significant improvements regarding management and oversight are needed. The department has spent approximately \$3.8 million since teacher scholarship programs were established, but has never determined or evaluated how effective these programs are in attracting and retaining teachers in the state's public schools. In fact, the department's database for tracking individual accounts was in such disarray, much of the data had to be recreated and summarized before we could perform any analysis of the information. Our analysis indicated high non-completion rates exist in the scholarship programs.

Certain statutory provisions and department policies are having a negative impact on the success of the department's scholarship programs. Laws and policies for the program are currently focused on recruiting applicants early in their college years. In addition, teacher shortage areas designated as critical need are not considered when selecting recipients for the scholarship programs. If the state's laws and the department's policies were amended to attract students who were serious about teacher education and who desired to teach in a critical need area, public schools would benefit by having a larger supply of teachers to fill their subject area shortage needs. In addition, for one scholarship program, state law needs to be changed to better enable the department to pursue recovery from recipients who default. Furthermore, the department does not appear to be collecting the full defaulted amount from the recipients who fail to meet the statutory requirements for compliance with the scholarships.

The department does not follow some of its policies for the scholarship programs, and lacks formal written policies on monitoring the status of scholarship accounts and maintaining scholarship databases. This has resulted in inconsistencies in the handling of recipient accounts. Due to inadequate monitoring, lack of segregated duties, and limited supervision regarding the scholarship programs, non-compliance with the scholarship requirements has gone undetected, and recipients who have defaulted are not being held fully accountable.

The department is forced to decline scholarships to approximately half of the qualified applicants due to a lack of available funding. Even though there are many more qualified applicants than there is available funding, the department has not utilized some existing funding due to complications involving scholarship renewals. There has been virtually no increase in funding for scholarship programs since their implementation, and two loan programs approved by the General Assembly have not been funded. In addition, individual scholarship amounts have never been increased rendering the scholarship programs less attractive to prospective teachers. Monies received from recipients who have not fulfilled program requirements are not placed back into the scholarship programs to be used for future awards. If these funding issues are resolved, the scholarship programs could be available to a greater number of prospective teachers in the state and may have a larger impact on any teacher shortages.

The department also provides funding for tuition reimbursement programs. However, the department has not established formal requirements that require participants to complete their education program and to remain employed in Missouri's public schools for a period of time after completion. In addition, the department has not monitored participants to determine whether the program for which the reimbursement was provided was successfully completed, and whether the participant subsequently taught in a Missouri public school in the area of certification obtained through the program. Without monitoring the participants, the department has no means to determine if the tuition reimbursement programs are working effectively and cannot implement changes when necessary.

MANAGEMENT ADVISORY REPORT –
STATE AUDITOR’S FINDINGS

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
TEACHER SCHOLARSHIP, LOAN, AND TUITION
REIMBURSEMENT PROGRAMS
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR’S FINDINGS

1. Scholarship and Loan Programs – Management and Oversight

DESE has not measured the effectiveness of its scholarship programs

The Department of Elementary and Secondary Education (DESE) has spent approximately \$3.8 million since the Missouri Teacher Education (MTES) and the Missouri Minority Teacher Education (MMTES) scholarship programs were established. However, the department has never determined or evaluated whether these programs have effectively increased the number of teachers in the state’s public schools. In fact, the DESE’s database for tracking individual accounts was in such disarray, much of the data had to be recreated and summarized before we could perform any analysis of this data. Our analysis indicated nearly 40 percent of MTES and almost half of the fiscal year 1996 MMTES scholarship applicants did not complete the requirements of the programs.

- At no time has the DESE monitored the success of either scholarship program. In addition, the master scholarship file currently being maintained for the MTES program was not complete or accurate. Current employees were unaware a prior employee who managed the program had purged older accounts into separate files. In addition, numerous accounts within both the current master file and the purged files had more than one account status. Since department personnel never determined that files were missing from their master file and several recipients were classified with more than one status, the effectiveness of the program could not have been accurately determined.
- We obtained the account history for 2,067 recipients from the DESE’s master file and for 1,446 recipients from the purged files. These 3,513 accounts had a total of 4,067 account statuses. Based on various assumptions, we cleaned up the database files to ensure only one status belonged to each recipient and removed fifteen declined scholarships. We summarized the scholarships awarded for both programs and determined that only 2,129 of the 3,498 MTES recipients (61 percent) since fiscal year 1987 have complied or are in the process of complying with the scholarship requirements. As for the MMTES program, although the program has only been in operation for six years, it appears there is a high non-completion rate. For fiscal year 1996 awards, the first award year for the program, thirteen of the twenty-seven recipients (48 percent) have failed to comply with the scholarship requirements.

Both scholarship programs have high non-completion rates

Without evaluating the effectiveness of the programs, the DESE cannot support the need for continued or increased funding nor determine if programmatic changes are warranted.

Certain state laws and departmental policies should be revised

Certain statutory provisions and departmental policies are having a negative impact on the success of the DESE's scholarship programs. Laws and policies for the program are currently focused on recruiting applicants early in their college years. In addition, teacher shortage areas designated as critical need are not considered when selecting recipients for the scholarship programs. If the state's laws and DESE's policies were amended to attract students who were serious about teacher education and who desired to teach in a critical need area, the districts could benefit by having a larger supply of teachers to fill their subject area shortage needs. It also appears state law does not adequately empower the DESE to pursue recovery from recipients of the MMTES program who default. Furthermore, the DESE does not collect the full defaulted amount from the recipients who fail to comply with the statutory requirements of the scholarships because the university's match is not collected.

- Rather than granting the MTES awards to students who have shown they are committed to completing college and obtaining a teaching degree, the awards are granted to high school seniors and first and second year college students. Neither the statutory provisions nor departmental policies consider requiring the recipients to demonstrate that they plan or are committed to completing a teacher education program at a four-year institution. If the awards were granted to junior and senior level students who have already demonstrated that they are committed to continuing and completing college and have already begun taking courses in a teacher education program, there would likely be a higher success rate for the MTES program.
- Unlike the Missouri Critical Teacher Shortage Loan Program, the department's scholarship programs give no consideration to the subject area the applicants would be trained/educated to teach. The applicants receive weighted points for their ACT score, their high school class rank, recommendations, and written essays. However, the areas of critical need are not weighted such that applicants that agree to enter one of those areas are given priority to receive the scholarship awards. According to state regulations, eligible applicants for the MMTES program must make a commitment to teach science or math; however, this eligibility requirement is not followed by the DESE. Since the desired subject area of the applicants are not considered, the department is not utilizing one option for filling teacher shortage areas. By amending the criteria for awarding scholarships to target areas of critical need for the MTES program, and enforcing existing state regulations for the MMTES program, the department could ultimately supply more teachers to those areas.

Scholarship programs do not target areas of critical need

- Currently, the DESE sells MTES scholarship defaults to the Missouri Higher Education Loan Authority (MOHELA), but not MMTES defaults. For the MTES program, Sections 160.281 and 160.283, RSMo 2000, specifically state that the DESE may sell defaults under the MTES program to MOHELA. However, the same authorization is lacking in the statutory provisions for the MMTES scholarship defaults. In addition, according to MOHELA personnel, the MOHELA may have resisted establishing a contract with the department for the MMTES program similar to the one in place for the MTES program to purchase defaulted scholarships because the amounts of default are much greater. As of June 2001, there were thirty-three defaulted recipients of the MMTES program who owed the state approximately \$95,330 in principal and \$17,470 in accrued interest. Under current procedures, these recipients may never be held accountable for their debt unless they pay it voluntarily.
- Under both scholarship programs, the participating college or university is required to provide \$1,000 in matching funds. However, when the DESE recovers monies from defaulted recipients or collects from MOHELA on defaulted accounts, the department is only seeking reimbursement of the state's portion of funding. Therefore, the \$1,000 match from the university on any MTES and MMTES awards are not collected. Statutory provisions require that if a student ceases their teacher education program prior to receiving a degree or does not complete five years of teaching in an elementary or secondary public school in Missouri after receiving a degree, any scholarship received shall be treated as a loan to the student and interest at the rate of nine and one-half percent per year shall be charged upon the unpaid balance of the amount received from the date of default until the amount received is paid back to the state. State law does not differentiate between the portion of funding which is from the state or the university when stating that the scholarship shall be treated as a loan when the recipient fails to comply with the requirements. Collection of approximately \$1.3 million in MTES awards and \$49,700 in MMTES awards from the universities' matched fund have not been pursued on defaulted scholarships.

Collection efforts
on defaulted
scholarships are
not adequate

DESE needs to better manage its scholarship programs

The department does not follow all the policies for the scholarship programs as stated in the Code of State Regulations. In addition, the department lacks formal written policies on how to properly monitor the status of scholarship accounts and maintain scholarship databases. This has resulted in inconsistencies in the handling of recipient accounts. Due to the inadequate monitoring, lack of segregated duties, and limited supervision regarding the scholarship programs, it is possible for non-compliance with the scholarship requirements to go undetected, or recipients who are identified as non-complying not being held fully accountable.

- The Code of State Regulations establishes provisions for the scholarship programs. The regulations provide for deadlines regarding application submission, notification of award, award acceptance, and notification of status updates from the institutions and/or

recipients. The regulations also document award procedures such as the basis for selecting recipients, how scholarships shall be granted when there are more eligible applicants than funding available, and how to select and award scholarships to alternate recipients if a designated recipient declines the scholarship. In addition to deadline and award procedures, the regulations specifically identify when a recipient is in default and when interest should begin to accrue. The DESE does not strictly adhere to the state regulations. For example, state regulations specifically explain that the "obligation to teach on a full time basis in a Missouri public elementary or secondary school for a period of five years following certification shall not be altered by any such moratorium (suspension) on the requirement to repay the scholarship funds." However, the DESE allows recipients to be placed on hold based on an individual review of the reason for the break in service. The DESE does not adhere to other regulations as 1) they do not accrue interest on all defaulted accounts, 2) they allow recipients to be placed on hold for other reasons than those outlined in the regulations, and 3) they do not restrict granting MMTES awards to only recipients making a commitment to teach science or math as required.

The department should review the regulations established by the state and ensure they adhere to them. In addition, to ensure consistent monitoring practices, the DESE should formally document any other necessary management practices which are not established in the regulations.

- The DESE also had not established formal written policies and procedures regarding the management of the scholarship programs' databases. The department attempts to track the status of each scholarship account, including whether the recipient has graduated and has met the teaching requirement, is currently teaching but has not yet taught the required 5 years, the recipient is still in school, the recipient repaid the scholarship, the recipient is currently in default, the recipient is "on hold" status because they took a leave from school or teaching, or whether the account was sold to MOHELA. Because formal written policies do not exist and numerous employees have been assigned to maintain scholarship accounts over the years, there are many inconsistencies and errors regarding how accounts are classified by status. For example, one recipient was marked sold, paid in full, and program completed because 1) when the account was sold to MOHELA, it was marked sold, 2) when the monies were received from MOHELA, it was considered paid in full, and 3) because the recipient did not owe the DESE any more, the recipient was also considered to have completed the program. We also noted instances where applicants had declined the scholarship but were still included in the MTES database.

Written policies
and procedures
had not been
developed

The DESE should establish written descriptions of each scholarship account status. These descriptions should include the criteria which must be met to be classified as a particular status. Without clearly written guidelines, the programs are susceptible to inconsistent monitoring procedures and discrepancies.

- The DESE periodically updates account statuses to determine if recipients are in compliance with program requirements. At the time of our review, the last update for recipients in teaching status was performed in October 2000. However, 80 of the 742 MTES teaching recipients and 4 of the 27 MMTES teaching recipients appear to have been overlooked and not reviewed. In addition, the current manager of the scholarship program reviews on-hold accounts that have been on-hold for only two years or less. However, 72 of the 170 MTES on-hold accounts and 6 of the 25 MMTES on-hold accounts were last updated prior to 1/1/99. Therefore, these accounts were not subjected to review and update.
- Some accounts had not been reviewed in over three years
- During our review, we identified several recipient accounts that appeared to have an incorrect status. We attempted to verify the status of several recipient accounts for both scholarship programs. We reviewed 1,113 awards for the MTES program and 42 awards for the MMTES program and performed a match against the DESE's Core Data system for school year 2001 to determine if applicable recipients were teaching. The Core Data system contains information on current active teachers employed in Missouri's public schools. We noted several errors in this review. For the MTES program, we identified a total of 109 errors (10 percent) which included: 1) fifty-five recipients with a "teaching" status which were not located on Core Data, 2) fifty recipients with an "on-hold" status that were located on Core Data, and 3) four recipients with an "in-school" status which were located on Core Data. For the MMTES program, we identified a total of nine errors (21 percent) which included five recipients with a "teaching" status which were not located on Core Data and four recipients with an "on-hold" status that were located on Core Data.

To further verify scholarship account statuses, we sent confirmations to sixty-three recipients with a defaulted status and received responses from twenty-seven of these recipients. Ten of those twenty-seven recipients indicated that they were not in default and were actually still in compliance with the scholarship requirements. Three of the recipients were still in school and the remaining seven were actually teaching in a Missouri public school during the 2000-01 school year. Therefore, the status of some scholarship accounts are not accurately reflected and could affect the department's monitoring efforts for these accounts.

- The efforts applied towards locating defaulted recipients are limited. For both scholarship programs, when a recipient defaults, the DESE sends out an inquiry letter giving the recipient the opportunity to identify their status and show they are in compliance with the scholarship requirements. If no reply is received from the inquiry correspondence, another letter is sent out by certified mail to obtain documentation that the recipient did in fact receive the notification. If either the original letter or the certified mail letter is returned undeliverable due to a bad address, the manager of the program will attempt to contact the recipient by phone. After these efforts fail, MTES defaulted accounts are typically sold to MOHELA. However, as of June 30, 2001, the
- Efforts to locate recipients in default are not adequate

DESE had 98 defaulted MTES accounts totaling \$89,360 in principal and approximately \$23,390 in interest that had not been sold to MOHELA because the department had no current address for the recipient, or MOHELA determined the recipient was a high risk due to history of default on other student financial aid. There are also some defaulted MMTES accounts that the department does not have a good address on as well.

We matched defaulted recipient accounts to the DESE's Core Data system and were able to locate fourteen of the ninety-eight MTES defaults and six of the thirty-three MMTES defaults as employed in a Missouri public school. Therefore, the location of these individuals was easily obtained and follow-up contact could resolve the accounts.

We also located additional defaulted recipients through employment information records and Department of Revenue licensing data. We located a current employer or identified a current address for eighty of the ninety-eight MTES default recipients (82 percent) and twenty-nine of the thirty-three MMTES default recipients (88 percent). Therefore, through limited efforts, we were able to locate the whereabouts for a majority of the defaulted recipients of both of the scholarship programs. However, because the DESE limits their efforts of identifying the location of recipients of defaulted accounts, amounts due on these defaulted accounts remain uncollected.

- As of April 2001, the MTES database contained eighty-five accounts that had no status entered for scholarships awarded prior to 1997. By not specifically indicating a status for all accounts, it is possible that recovery of accounts that are in default may not occur.
- The DESE currently has five MMTES recipients who defaulted on their scholarship and are in the process of repaying their loan. However, the repayment schedules are not accurately maintained. For two of the recipients, the defaulted principal amount determined by the department was incorrect. None of the repayment schedules took into consideration additional interest due from instances where the recipient missed or made irregular payments. In addition, the DESE was not consistent in its procedures for determining when interest would begin to accrue. Because of these discrepancies, about \$2,300 owed to the department would not have been collected.
- Some scholarship recipient files do not contain all necessary documentation. During our review, we noted files which lacked declined acceptance forms to support that an individual had declined to accept the scholarship award. In addition, annual teacher placement forms, semester student status forms, and documentation of correspondence between the scholarship's program manager and the recipient for approving an on-hold status were also sometimes missing. Fifteen of fifty-three MTES accounts tested (28 percent) did not contain adequate documentation in the recipient files to support the status indicated in the management database. Without this information, there is less assurance the account status is correct and the account is properly monitored and managed.

Recipient files
lack proper
documentation

- Duties related to the operation of the scholarship programs are not adequately segregated. Currently, the same individual establishes accounts on the database, monitors account compliance, and initiates correspondence with non-complying recipients. In addition, there is only limited supervision of the scholarship programs. The extent of the supervision usually occurs only when this individual requests the supervisor's input in specific situations. Management does not perform regular reviews of accounts to ensure they are being maintained properly. Without proper segregation of duties and adequate supervision of the scholarship programs, problems and errors may go undetected and the risk of misappropriation of assets is increased.

In addition, the duties of receiving and recording receipts from payments on defaulted accounts are not adequately segregated. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and recording receipts from defaulted accounts.

WE RECOMMEND the DESE:

- A. Thoroughly review the effectiveness of all prospective teacher scholarship and loan programs provided by the state. This review should determine whether these programs are providing a significant contribution toward increasing the number and quality of teachers in the state's public schools. If any of these programs are not meeting this primary objective, the department should initiate efforts to suspend or eliminate these programs, or pursue changes to these programs or new programs that will be more effective and justified.
- B. Take the steps necessary to ensure scholarship accounts are accurately maintained and properly documented and monitored, defaulted account recipients are located and amounts due recovered, and that all existing policies and procedures are reviewed, updated as considered necessary, and complied with fully. The deficiencies in the existing programs and records should be corrected before any new scholarship or loan programs are initiated.

AUDITEE'S RESPONSE

- A. *We concur with the recommendation. An annual report was created January 2002 that will be used to help evaluate the success of the program.*
- B. *We concur with the recommendation. The scholarship accounts are currently being reviewed and updated to ensure accuracy of data. Formal written policies and procedures manuals have been developed for the MTES and the MMTES scholarship programs. In*

addition, the State Board of Education voted to change the MTES rule that requires an applicant to be a senior in high school or a freshmen or sophomore in college to accept seniors in high school and college students. This change will allow the department policy to target critical need areas.

2.

Funding of Scholarship and Loan Programs

There are funding issues with the scholarship and loan programs that should be addressed by the Board of Education and the General Assembly. The DESE has access to an abundant supply of qualified prospective teacher scholarship applicants to aid in filling any of the state's teacher shortages; however, the department is forced to decline scholarships to approximately half of the qualified applicants due to a lack of available funding. Even though there are many more qualified applicants than there is available funding, the department has not utilized some existing funding due to complications arising from scholarship renewals. There have been virtually no increases in funding for scholarship programs since their implementation, and two loan programs approved by the General Assembly have never been funded. In addition, individual scholarship amounts have never been increased rendering the scholarship programs less attractive to prospective teachers. Monies received from recipients who have not fulfilled program requirements are not placed back into the scholarship programs to be used for future awards. If these funding issues were resolved, the scholarship programs could be available to a greater number of prospective teachers in the state and thereby lessen the impact of the teacher shortages. The specifics of each funding issue are:

- The legislature approved the Missouri Critical Teacher Shortage Loan Program in 1999. This program allows eligible undergraduate and graduate students entering programs of study that lead to a degree in a teaching program in a critical teacher shortage area to receive forgivable loans. Since approval of this program, the DESE has requested funding of \$6 million each fiscal year; however the legislature has not appropriated any funding for this program.

Programs not
funded or are
inadequately
funded

The Missouri Prospective Teacher Loan Program was approved by the legislature in 1985. It provides for financial assistance to students entering teacher programs with consideration given to critical need areas. However, this program has not received funding since fiscal year 1988.

- In fiscal year 2001, only 238 of the 440 qualified applicants (54 percent) for the MTES and only 19 of the 44 qualified applicants (43 percent) for the MMTES received awards. The remaining qualified applicants were denied awards because of the lack of available funding. For fiscal year 2001, an additional \$202,000 would have been necessary to fund all qualified applicants for the MTES program and an additional \$144,000 would have

been necessary to fund all qualified applicants for the MMTES program. There has been no increase in funding for the MTES program since 1992, and no increase in funding for the MMTES program since 1996.

- Despite the lack of available funding, the DESE has allowed some monies to lapse. Since fiscal year 1995, the department has lapsed \$57,655 from the MTES program. Since fiscal year 1996 (the first award year), the department has lapsed \$569,000 from the MMTES program. There is no apparent reason for any large amount of lapsed funds for the MTES program since the department awards scholarships to alternative recipients if the original recipient declines the award. Regarding the MMTES program, the renewal option causes complications because not all recipients of the MMTES renew their scholarship award for the additional three years allowed. However, when the DESE is determining the number of awards that it can issue for the year, they retain funds due to the renewable provision. Consequently, some of these retained funds are not utilized. Below is a summary of the funds which were lapsed since fiscal year 1995 for each scholarship program:

DESE has lapsed some funding that is available

Lapsed Scholarship Funds

Fiscal Year	MTES Program	MMTES Program
1995	\$11,030	N/A
1996	7,530	\$144,000
1997	7,505	127,000
1998	10,530	92,000
1999	9,030	85,000
2000	11,030	58,000
2001	1,000	63,000

- The individual award amounts for both scholarship programs have never been increased; therefore, the value of both the MTES and the MMTES awards are declining as the cost of college education increases. According to information from the Department of Higher Education, the average annual undergraduate educational costs (tuition and required fees) for a Missouri resident to attend a Missouri four-year public or private college have increased from an average of \$4,492 in 1989 to \$9,014 in 2001 (101 percent).

We also compared Missouri's teacher scholarship programs to those administered by other states. Missouri's MTES program offers a one-time award of \$2,000 (includes both the state and university match) and the MMTES program offers an award of \$3,000 a year (includes both the state and university match) for up to 4 years. In addition, regardless of the amount and/or years received, the recipient in Missouri is required to teach in a Missouri public school for five years. For the other states we reviewed, the recipient was allowed to receive approximately \$4,000-\$5,000 annually and were usually only required to teach one year/semester for each year/semester they received the award.

Therefore, it appears the recipients of Missouri's scholarship programs are indebted for more years of service and receive less financially. Below are provisions of some scholarship programs of other states we reviewed:

- Maryland's Teacher Scholarship Program offers \$5,000 annually to students at four-year colleges and \$2,000 to students at two-year colleges. These recipients must agree to work as a certified teacher for one year for each year of assistance received.
- Massachusetts has the Tomorrow's Teachers Scholarship Program that offers full tuition and fees to students who agree to teach four years in a Massachusetts public school. There is a maximum cap for the scholarship which is equivalent to the highest level of tuition and fees at a public institution within the state. This cap was \$5,212 for the academic year 2000-2001.
- Kentucky's Minority Teacher Scholarship Program offers \$5,000 annually for minority students. The student must agree to teach one semester in Kentucky for each semester the scholarship is received.
- State law requires the recipient to reimburse the state the scholarship amount if the recipient fails to comply with the education and/or teaching requirements of the scholarship programs. For the MTES program, if the recipient does not repay the scholarship amount received, their account will be sold to Missouri's Higher Education Loan Authority (MOHELA) for 90 cents on the dollar. However, the amounts collected by the department from repayments and from sales to MOHELA are not placed in a revolving fund to be used for future awards. Rather, MTES recoveries are returned to the state's General Revenue Fund and MMTES recoveries are returned to the Lottery Proceeds Fund. Therefore, the department is not given the opportunity to reapply these monies to another applicant to help fill the teacher shortage.

Cost recoveries
are not returned
to the scholarship
programs

As noted earlier in this report, the DESE has not evaluated the effectiveness of these teacher scholarship and loan programs. Such a review should also include an evaluation of the funding levels for each program to determine the funding, if any, that will provide the greatest benefit toward the recruitment and retention of teachers in the state's public school system.

WE RECOMMEND the DESE evaluate the funding levels for each of the currently authorized teacher scholarship and loan programs to determine the funding requirements, if any, that are necessary to provide for efficient and effective financial aid programs for current or prospective teachers. All needed funding increases, decreases, or eliminations should be pursued through the applicable legislative processes.

AUDITEE'S RESPONSE

We concur with the recommendation. The scholarship and loan programs will be reviewed to determine the proper levels of funding requirements needed. These levels will be sought through the legislative process.

3.

Tuition Reimbursement Programs

Participants not required to complete program or to teach

Unlike some of the scholarship and loan programs mentioned above, the DESE has not established formal requirements that require participants to complete their education program and to remain employed in Missouri's public schools for a period of time after completion. Although the teachers who participate in the tuition reimbursement programs are expected to complete their teacher education program and to obtain certification in the subject area studied, participants are not required to reimburse the funding if they fail to do so. By failing to establish appropriate requirements for the tuition reimbursement programs, there is no assurance those programs are effectively addressing the statewide areas of critical need.

DESE has not measured the effectiveness of its tuition programs

As noted above, the DESE has not established any specific requirements for those who participate in the tuition reimbursement programs. The DESE has also not monitored participants to determine the results of the tuition reimbursement program and whether these results justify the costs of the programs. Without monitoring the participants, the DESE has no means to determine if the tuition reimbursement programs are working effectively and cannot implement changes when necessary. Since the DESE has not adequately monitored program participants, we reviewed the results of the tuition reimbursement programs and noted the following:

- During fiscal years 1998 through 2000, 685 participants received special education tuition reimbursements. Of these 685 participants, only 289 received full or provisional certification in a special education area, and only 249 of these actually taught in a special education area during the 2000-01 school year. In addition, 109 of the 685 participants did not teach in a Missouri public school district that year.
- During fiscal years 1998 through 2000, 285 participants received counselor tuition reimbursements. Of these 285 participants, only 126 received full or provisional certification as a counselor, and only 115 of these actually were counselors during the 2000-01 school year. In addition, 34 of the 285 participants did not teach in a Missouri public school district that year.

Because the DESE does not monitor the programs' participants, we could not determine whether the remaining participants that were in the special education or counselor tuition reimbursement programs are continuing their education or if they have dropped out of the applicable program.

We did not attempt to review results for the middle school tuition reimbursement program since it was discontinued in fiscal year 1997. Beginning in fiscal year 2001, the DESE did begin limited monitoring for its fiscal year 2000 participants in the special education tuition reimbursement program. However, this process is still not sufficient to determine the status of participants who were still enrolled in the programs and those who had already dropped out.

DESE does not monitor maximum credit hour limits

The DESE does not monitor its informal rule for the counselor tuition reimbursement program which limits participants to only receive reimbursement for a maximum of twenty-one credit hours. In addition, this policy has not been formalized and is not being applied consistently to all participants. During our review, we scanned student roster invoices to determine the funding expended for the thirty-four individuals who are no longer employed in a Missouri public school. We noted three participants received funding for credit hours exceeding twenty-one hours.

Without established and documented policies, program participants are not fully informed of the requirements and department personnel are not consistently enforcing the twenty-one credit hour rule that exists. Formally established policies and procedures could decrease the potential for reimbursements of credit hours exceeding the twenty-one hour limit. Also these policies and procedures would require department personnel to properly monitor each recipient.

WE RECOMMEND the DESE:

- A. Establish formal rules or policies that require participants to complete their education program and to remain employed in Missouri's public schools for a period of time after completion.
- B. Monitor all participants and periodically summarize results to determine the overall effectiveness of tuition reimbursement programs. Based on this information, the DESE should then determine whether changes to the programs are necessary, including whether these programs warrant increased funding or should be eliminated.
- C. Formally establish and monitor its rule on the maximum credit hour reimbursements for the counselor tuition reimbursement program.

AUDITEE'S RESPONSE

- A. *We concur with the recommendation. Formal requirements will be created to address these programs by July 2003.*
- B. *We concur with the recommendation. Program criteria will be created to review the effectiveness of the tuition reimbursement program by July 2003.*
- C. *We concur with the recommendation. A formal rule will be established and monitored concerning the maximum credit hour reimbursements for the counselor tuition reimbursement program by July 2003.*

This report is intended for the information of the department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

BACKGROUND

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
TEACHER SCHOLARSHIP, LOAN, AND TUITION
REIMBURSEMENT PROGRAMS
BACKGROUND

Scholarship and Loan Programs

The Department of Elementary and Secondary Education (DESE) administers the Missouri Teacher Education Scholarship (MTES) and the Missouri Minority Teacher Education Scholarship (MMTES) programs. These scholarship programs are intended to attract qualified applicants into the teaching profession. Under both scholarship programs, the recipient is required to receive a degree in education from an approved teacher education program in a four-year college or university, and teach in an elementary or secondary public school in Missouri for five years after receiving their degree. If the recipient fails to fulfill these requirements, the scholarship amount is treated as a loan and must be repaid to the state. For both scholarships, the applicants receive weighted scores based on their American College Test (ACT) scores, class rank, and essay evaluation. The scholarships are awarded based upon the highest numeric scores and the available funding. For the MTES program, state regulations require that 15 percent of the funding be initially earmarked for minority students who apply and meet the scholarship requirements.

The MTES is authorized by Sections 160.276-283, RSMo 2000, and was initiated in 1985 with the first awards granted for the 1986-87 school year. This scholarship awards the recipient \$1,000 from the state with matching funds of \$1,000 from the participating college or university. The MTES is to be made available to high school graduates and junior and community college students who are residents of Missouri. Through state regulations, the state Board of Education established that the MTES shall be awarded to college students who have completed no more than 60 college credit hours which includes high school seniors, college freshmen, and college sophomores. Section 160.278, RSMo 2000, allows the DESE to develop criteria to select which of the eligible applicants shall receive MTES awards. In addition to being a Missouri resident and the 60 college credit hour rule, to qualify for a MTES award, the applicant must have achieved scores on an accepted standardized test of academic ability, including, but not limited to, the Scholastic Aptitude Test (SAT), the ACT, or the School-College Ability Test (SCAT), which placed them at or above the eighty-fifth percentile; or have a high school rank at or above the eighty-fifth percentile. Since the inception of the MTES in fiscal year 1987, 3,498 recipients have received scholarships totaling approximately \$3.5 million.

The MMTES is authorized by Sections 161.415-424, RSMo 2000, and was passed in 1990 with the first awards granted for the 1995-96 school year. This scholarship awards the recipient \$2,000 from the state with \$1,000 matching from the participating college or university. This scholarship may be renewed for a maximum of three additional years. State law provides that this scholarship shall be available to minority high school graduates and college students who are residents of Missouri, or to students who after the completion of their baccalaureate degree enter teacher education and make a commitment to teach science or mathematics. For the later part of this provision, the DESE requires students who are continuing education after completion of their bachelor's degree to obtain a master's degree in math, science, math education, or science

education to receive this award. In addition to being a Missouri minority resident, to qualify for a MMTES award, the applicant must have achieved scores on an accepted standardized test of academic ability, including, but not limited to, the SAT, ACT, SCAT, which place them at or above the seventy-fifth percentile; and have a high school rank at or above the seventy-fifth percentile. However, because the statute limits the number of qualified minority applicants by requiring them to meet both the standardized test and the high school rank requirement, the DESE has allowed the applicants to meet one or the other. In addition, state regulations allow applicants that have completed thirty college credit hours or more with a 3.0 grade point average in an accredited institution to be considered eligible for the scholarship, with the standardized test and high school rank requirements waived. Section 161.418, RSMo 2000, allows the DESE to develop criteria to select which of the eligible applicants shall receive MMTES awards. Since the inception of the MMTES in fiscal year 1996, 146 recipients have received scholarships totaling approximately \$595,000.

Under Section 168.600, RSMo 2000, the DESE is authorized to administer the Missouri Critical Teacher Shortage Loan Program. This program allows eligible undergraduate and graduate students entering programs of study that lead to a degree in a teaching program in a critical teacher shortage area to receive forgivable loans. An undergraduate forgivable loan may be awarded for two undergraduate years and shall not exceed \$4,000 per year, or for a maximum of three years for programs requiring a fifth year of instruction to obtain initial teaching certification. A graduate forgivable loan may be awarded for two graduate years and shall not exceed \$8,000 per year. Critical teacher shortage areas are those identified by the state Board of Education. Credit of up to \$8,000 may be granted for each subsequent year of teaching service.

Sections 168.550-595, RSMo 2000, authorize the Coordinating Board for Higher Education to administer the Missouri Prospective Teacher Loan Program. This program was established to provide financial assistance to students who are enrolled as a full-time undergraduate student in an approved teacher education program at a participating school. Critical need areas, as identified by the state Board of Education, are to be considered when granting loans. For the first three years, the maximum loan amount is \$1,000 for each academic year. For the fourth and each subsequent year in which loans are made, the Coordinating Board determines the maximum amount for loans to eligible students in each academic year.

Tuition Reimbursement Programs

In addition to the scholarship and loan programs noted above, the DESE also administers tuition reimbursement programs for certain educators. With the passage of the Outstanding Schools Act of 1993, the Commissioner of Education was provided discretionary funding to address statewide areas of critical need. Since fiscal year 1995, the Commissioner of Education has been allocating a portion of these moneys to fund tuition reimbursement programs. Currently, three areas are eligible to annually receive approximately \$415,000 for tuition reimbursement. These areas are paraprofessionals in special education, special education teachers, and counselors. The paraprofessionals are teacher aids who are employed in public schools and desire to obtain certification to become a special education teacher. The paraprofessional tuition reimbursement program began in fiscal year 2000 and expended approximately \$19,800 in state funds through fiscal year 2001. The special education and counselor tuition reimbursement programs began in

fiscal year 1998 and expended approximately \$692,000 and \$743,700 in state funds through fiscal year 2001 for these programs, respectively.

In addition, the DESE administered the Transitional Middle School Certification tuition reimbursement program from fiscal year 1995 through fiscal year 1997. This program was designed to enhance the quality of middle school teachers. To be a participant in this tuition reimbursement program, the educator had to be currently teaching in the fifth through ninth grades. This program expended approximately \$2.8 million during its years of operation.

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